

## Message Text

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PAGE 01 JAKART 09245 111130Z  
ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 XMB-02 AID-05 TRSE-00  
OMB-01 DOE-15 SOE-02 OES-09 CIAE-00 INR-10  
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-----086490 111156Z /11

P R 110932Z JUL 78  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC PRIORITY 0048  
INFO USDOC WASHDC  
AMEMBASSY OTTAWA  
AMCONSUL MEDAN  
AMEMBASSY SINGAPORE  
AMCONSUL SURABAYA

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FOR EXIM CHAIRMAN MOORE, EB - AS KATZ, EA - DAS HEGINBOTHAM,  
AID-EA - AA SULLIVAN

E.O. 11652: N/A  
TAGS: ETRD, EMIN, EINV, ID  
SUBJECT: CANADIAN CONTENDER WINS \$1 BILLION MINING AND POWER CONTRACT

REF: (A) JAKARTA 8580, (B) JAKARTA 2156, (C) JAKARTA 6980

1. THE INDONESIAN GOVERNMENT WILL ALMOST CERTAINLY ANNOUNCE  
WITHIN THE NEXT FEW DAYS THAT PROJECT SERVICES CONTRACT FOR  
BUKIT ASAM COAL PROJECT IN SOUTH SUMATRA WILL BE AWARDED TO  
CANADIAN CONSORTIUM (MONENCO) COMPOSED OF MONTREAL ENGINEERING  
COMPANY, SWAN WOOSTER ENGINEERING INC. AND CANADIAN PACIFIC  
CONSULTING SERVICES. DURING DISCUSSIONS WITH THE HEAD OF  
PLN, INDONESIA'S ELECTRIC BOARD, ON FRIDAY, I LEARNED THE  
SURALAYA POWER PLANT PROJECT IN WEST JAVA, WHICH IS THE  
SECOND HALF OF THIS MINING AND POWER SCHEME, WILL ALSO BE  
AWARDED TO MONENCO. TOTAL VALUE OF COMBINED PROJECT IS  
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OVER \$1 BILLION, TO BE FUNDED IN LARGE PART BY IBRD.  
IN BOTH CASES BIDS FROM TOP US CONTENDERS WERE REJECTED  
BECAUSE CANADIAN GOVERNMENT OFFERED VIRTUAL CARTE  
BLANCHE SOFT-TERM FINANCING AND MONENCO HAD GAINED AN  
UNBEATABLE LEAD OVER ITS COMPETITORS BY PERFORMING PRE-  
FEASIBILITY STUDIES. SURYONO'S EMPHASIS ON IMPORTANT  
ROLE PLAYED HERE BY PRE-FEASIBILITY STUDY AND GENEROUS

CANADIAN FINANCING RAISES OMINOUS OVERTONES CONCERNING SUCCESSFUL OUTCOME OF THE PENDING \$200 MILLION LOCKHEED L-100 SALE TO INDONESIA DISCUSSED IN REF C. BOTH SURYONO AND MINISTER OF COMMUNICATIONS RUSMIN NURJADIN HAVE LEFT NO ROOM FOR DOUBT THAT ATTRACTIVE FINANCING IS THE ELEMENT WHICH US FIRMS MUST IN FUTURE BE ABLE TO PROVIDE IF THEY ARE TO REMAIN VIABLE COMPETITORS.

2. US FIRMS BIDDING ON BUKIT ASAM WERE DRAVO, FLUOR AND MORRISON KNUDSON INTERNATIONAL, AND ON SURALAYA POWER PLANT GIBBS AND HILL (A WHOLLY-OWNED SUBSIDIARY OF DRAVO) AND C.T. MAIN. FLUOR APPARENTLY WAS STRONGEST US CONTENDER FOR CONTROL OF THE ENTIRE PROJECT OR, ALTERNATIVELY, THE BUKIT ASAM PORTION, WHILE GIBBS AND HILL WAS RUNNER-UP ON SURALAYA PLANT. BECHTEL MANAGED TO GET THE TECHNICAL ASSISTANCE (BID REVIEW) SLOT FOR BUKIT ASAM.

3. OUTCOME IS PARTICULARLY DISTRESSING BECAUSE CANADIANS NOW HAVE STRAIGHT SHOT AT MASSIVE INTERRELATED COAL AND POWER DEVELOPMENT PROJECTS CONTEMPLATED OVER A 20-YEAR SPAN. US FIRMS ARE HIGHLY DISTURBED OVER THE AGGRESSIVE TACTICS EMPLOYED, WHICH ONE FIRM TERMED A CANADIAN BLITZKRIEG PATTERNED ON THE JAPANESE MODEL. BOTH THEY AND WE FEEL THE US BIDDERS WERE SERIOUSLY HANDICAPPED BY THE FACT THAT THE SUCCESSFUL CANADIAN FIRM DID THE LIMITED OFFICIAL USE

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PRE-FEASIBILITY STUDY AND THAT OTTAWA OFFERED CONCESSIONAL LOANS TO SUPPLEMENT WORLD BANK FINANCING FOR THE PROJECT.

4. I BELIEVE THIS UNDERSCORES ONCE AGAIN THE NEED FOR CHANGE IN USG PROCEDURES TO PUT US IN A POSITION TO PROVIDE MAXIMUM HELP TO US FIRMS IN THE FACE OF INCREASINGLY AGGRESSIVE FOREIGN MARKETING STRATEGIES BY OTHER NATIONS. UNQUESTIONED TECHNICAL EXCELLENCE AND A HISTORY OF PAST SUCCESSES BY US BIDDERS ON SIMILAR PROJECTS WERE NOT ENOUGH IN THIS CASE TO INFLUENCE THE BARGAINING. IN REF B, I PROPOSED US FUNDING OF PRE-FEASIBILITY STUDIES, WHICH WOULD ENABLE US FIRMS TO GET IMMEDIATELY INVOLVED AT THE FRONT END OF NEWLY EMERGING PROJECTS. SUCH FUNDING NEED NOT NECESSARILY BE CONFINED TO AID, BUT I FIRMLY BELIEVE NEW PROVISIONS MUST BE MADE TO GIVE US FIRMS EVERY POSSIBLE OPPORTUNITY TO COMPETE ON A FAIR AND EQUAL BASIS FOR THE FOREIGN MARKETS WE SO OBVIOUSLY NEED.

5. I URGE THAT YOU GIVE THIS MATTER YOUR PERSONAL ATTENTION. MASTERS

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NNN

## Message Attributes

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